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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Qingci Games Inc., you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**Qingci Games Inc.**

**青瓷游戏有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 6633)**

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
WITH G-BITS  
THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Altus Capital Limited, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 31 of this circular.

A notice convening the extraordinary general meeting (the “EGM”) of Qingci Games Inc. (the “Company”) to be held at the 5th Floor, 33 Wang Hai Road, Xiamen Software Park II, Xiamen, Fujian Province 361008, the PRC at 10:30 a.m. on Monday, December 18, 2023 is set out on pages N-1 to N-2 of this circular. The form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qcplay.com](http://www.qcplay.com)).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:30 a.m. on December 16, 2023). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish.

References to time and dates in this circular are to Hong Kong time and dates.

November 24, 2023

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“2021 Game Cooperation Framework Agreement”	a game cooperation framework agreement entered into between the Company and G-bits on November 18, 2021
“2023 Game Cooperation Framework Agreement”	a game cooperation framework agreement entered into between the Company and G-bits on October 17, 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Qingci Games Inc. (青瓷游戏有限公司), an exempted company incorporated in the Cayman Islands with limited liability on March 12, 2021 and whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 5th Floor, 33 Wang Hai Road, Xiamen Software Park II, Xiamen, Fujian Province 361008, the PRC on Monday, December 18, 2023 at 10:30 a.m. to consider and, if thought fit, approve, inter alia, the entering into of the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder and the adoption of the relevant proposed annual caps thereunder
“G-bits”	G-bits Network Technology (Xiamen) Co., Ltd. (廈門吉比特網絡技術股份有限公司), a company incorporated in the PRC with limited liability on March 26, 2004 and is listed on the Shanghai Stock Exchange under the stock code: 603444, a substantial shareholder of the Company
“G-bits Group”	G-bits and its subsidiaries
“Group”	the Company and its subsidiaries
“HK Kunpan”	Hongkong Kunpan Co., Limited (香港坤磐有限公司), a company incorporated in Hong Kong with limited liability on December 16, 2016, and an indirect wholly-owned subsidiary of G-bits
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee comprising all of the independent non-executive Directors
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement
“Independent Shareholders”	the Shareholders, other than G-bits Group and all other Shareholders interested in the 2023 Game Cooperation Framework Agreement
“Latest Practicable Date”	November 15, 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing games, a genre of games in which a player who assumes the role of a character interacts with each other in an evolving fantasy or fictional world and takes control over character’s actions
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules

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## DEFINITIONS

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“US\$”	United State Dollars, the lawful currency of the United States of America
“%”	per cent

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## LETTER FROM THE BOARD

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**Qingci Games Inc.**  
**青瓷游戏有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 6633)**

*Executive Directors:*

Mr. Yang Xu (*Chairman*)  
Mr. Huang Zhiqiang  
Mr. Liu Siming  
Mr. Zeng Xiangshuo

*Registered office:*

PO Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Independent non-executive Directors:*

Professor Lam Sing Kwong Simon  
Mr. Yuan Yuan  
Ms. Fang Weijin

*Head Office and Principal Place in the PRC:*

5th Floor, 4 Wang Hai Road  
Xiamen Software Park II  
Xiamen, Fujian Province  
361008, the PRC

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai, Hong Kong

November 24, 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
WITH G-BITS  
THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Reference is made to the announcement dated October 17, 2023 in relation to the 2023 Game Cooperation Framework Agreement entered into between the Group and G-bits Group. The purpose of this circular is to provide you with, among others, (i) details of the 2023 Game Cooperation Framework Agreement; (ii) the recommendation of the Independent Board Committee regarding the terms of the 2023 Game Cooperation Framework Agreement; (iii) the advice of the Independent Financial Adviser in respect of the transactions payable by the Group to G-bit Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement; (iv) the notice of EGM; and (v) other information as required under the Listing Rules.

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# LETTER FROM THE BOARD

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## THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT

### 1.1 Game Cooperation with G-bits

#### Background of the transactions

On October 17, 2023 (after trading hours), the Company and G-bits entered into the 2023 Game Cooperation Framework Agreement, pursuant to which, the Group agreed to continue to (i) license games of G-bits Group to the Group for publishing and operating on the Company's platforms in designated regions on an exclusive basis (expense-based); and (ii) license the games of the Group to G-bits Group for publishing and operating such games on G-bits' platforms in designated regions on an exclusive basis (revenue-based), for a term of three financial years commencing from January 1, 2024 to December 31, 2026. The Group and G-bits Group also agreed to (i) continue to participate in marketing games licensed to the exclusive publication and operation of the other party in designated regions and (ii) jointly promote and develop games for a term of three financial years commencing from January 1, 2024 to December 31, 2026. The Group and G-bits Group shall pay fees to each other (as the case may be). The precise scope of cooperation, the calculation of fees and other details of the cooperation shall be agreed between the relevant parties separately.

#### Fee Arrangement

The fees payable by the Group or G-bits Group (as the case may be) for publishing and operating of the Group's or G-bits Group's games on the other's platforms shall be calculated on one or more of the following bases:

- Fixed distribution fees and/or license fees based on arm's length negotiation between the parties upon taking into consideration the exclusive publication and operation on the other's platforms in the designated regions within a certain period of time;
- Revenue/profit sharing between the parties based on arm's length negotiation using a prescribed percentage on the gross billings (which are net of commissions to payment and distribution channels, marketing and promotion expenses and other expenses, as the case may be), such prescribed percentage is in line with market practice;
- Prepaid revenue/profit sharing between the parties based on arm's length negotiation between the parties as an assurance of revenue/profit sharing payment, such assurance will be set off by the amount payable under the revenue/profit sharing basis set out above;
- Game performance bonus as agreed between the parties being a discretionary incentive fee payable to the Group or G-bits Group (as the case may be) in the event that the game's gross billings exceed a certain amount; and/or

## LETTER FROM THE BOARD

- Use of certain intellectual property rights by the Group or G-bits Group for game cooperation promotion as agreed between the parties after arm's length negotiation with reference to the prevailing fee structure and pricing terms of relevant intellectual properties in the market, which are comparable to those the Group or G-bits Group has with other independent third parties on licensing of games for exclusive publication and operation.

### Historical Amounts

The aggregate amounts of fees paid by the Group to G-bits Group and the fees paid by G-bits Group to the Group under the 2021 Game Cooperation Framework Agreement for the two years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 are as set out in the table below:

	<b>For the years ended</b>		<b>For the six</b>
	<b>December 31,</b>		<b>months ended</b>
	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<b>2023</b>		
	<i>(in thousand RMB)</i>		
Fees incurred by the Group payable to G-bits Group <i>(Expense-based)</i>	_ <sup>(1)</sup>	_ <sup>(1)</sup>	_ <sup>(1)</sup>
Fees incurred by G-bits Group payable to the Group <i>(Revenue-based)</i>	35,374	25,367	11,317

*Note:*

- (1) The Group did not incur any fees payable by the Group to G-bits Group under the 2021 Game Cooperation Framework Agreement for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 as the Group has been preparing for the launching of the games the Group has licensed from G-bits Group during the relevant years.

### Proposed annual caps and their basis

The proposed annual caps for the fees payable by the Group to G-bits Group and the fees payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out in the table below:

	<b>For the years ending December 31,</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(in thousand RMB)</i>		
Fees payable by the Group to G-bits Group <i>(Expense-based)</i>	6,000	22,000	15,000
Fees payable by G-bits Group to the Group <i>(Revenue-based)</i>	26,820	24,138	21,724



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## LETTER FROM THE BOARD

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In determining the relevant proposed annual caps, the Directors took into account the historic amounts and the future business development between the Group and G-bits Group after arm's length discussions. In particular, 1) in determining the proposed annual caps in respect of the fees payable by the Group to G-bits Group, the Directors have considered the game *Master Cat* (超喵星計劃) is expected to have an increase in revenue upon its expected launch in 2024 having taken into account the current market conditions and the projected performance of such game project; and 2) in determining the proposed annual caps in respect of the fees payable by G-bits Group to the Group, the Directors considered that the two collaborative games namely *The Marvelous Snail* (最強蝸牛) and *Gumballs & Dungeons* (不思議迷宮) have both reached their maturity stage. Thus, it is forecasted that the revenue they will contribute will gradually decrease throughout 2024 to 2026.

### **Pricing Policy**

The fixed distribution fees and/or license fees, revenue/profit sharing, prepaid revenue/profit sharing, game performance bonus and use of certain intellectual property rights as payable by the Group to G-bits Group and those payable by G-bits Group to the Group shall be determined after arm's length negotiations between the parties with reference to the prevailing market price and/or fee range of similar cooperation in the industry and consideration of various commercial factors, including, but not limited to, the nature of the cooperation, popularity, quality and commercial potential of the relevant games and duration of the engagement. To ensure that the fees to be paid by the Group represent the prevailing market price and on normal commercial terms that are comparable to those with independent third-party and no less favorable to the Group, the Group will assess the potential user traffic and gross billings that are expected to arise from the platforms operated by G-bits Group, obtain fee quotes, if any, from other independent third parties on licensing of games for exclusive publication and operation and make reference to the relevant market data published by not less than three other companies listed on the Stock Exchange that operate in the same industry as the Group as well as the prevailing fee structure and pricing terms of comparable intellectual properties in the market, where available. On the other hand, the Group will obtain fee quotes from other independent third party and make reference to the relevant market data published by not less than three other companies listed on the Stock Exchange that operate in the same industry as the Group to ensure that the fees to be received from G-bits Group represent the prevailing market price and on normal commercial terms that are no less favorable to the Group.

### **Reasons for and benefits of the transactions**

G-bits develops, publishes and operates a large number of online games in the PRC. While the Group typically publishes and operates games which were self-developed, the Group also has commercial liberty to (i) engage third-party publishers to publish and operate games that the Group has self-developed; and (ii) obtain licenses from third-party game developers to publish and operate games owned by them to maximize its earnings. It is expected that the Group and G-bits Group could leverage each other's competitive advantages in products and platforms and players' pool to improve popularity of games owned by each other, increase the number of platform users and leverage each other's game publishing and operating capabilities.

Please refer to the section headed "1.2 Marketing and Promotion Cooperation with G-bits – Reasons for and benefits of the transactions" below for the Directors' views on the 2023 Game Cooperation Framework Agreement.

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# LETTER FROM THE BOARD

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## 1.2 Marketing and Promotion Cooperation with G-bits

### Background for the transactions

Pursuant to the 2023 Game Cooperation Framework Agreement, the Group and G-bits Group also agreed to cooperate on marketing and promoting games owned by the other party on its own platforms.

The material terms of the 2023 Game Cooperation Framework Agreement in relation to marketing and promotion services are set forth as follows:

- Nature and Term: G-bits Group shall provide marketing and promotion services, including but not limited to marketing, promotion and advertising to the Group for the Group's games on platforms operated by G-bits Group; meanwhile, the Group shall provide marketing and promotion services, including but not limited to marketing, promotion and advertising to G-bits Group for G-bits Group's games on platforms operated by the Group, for a term of three financial years commencing from January 1, 2024 to December 31, 2026.
- Fee arrangement and settlement: See below for details of the agreed fee arrangement. Settlement method will be agreed in separate underlying orders.

### Fee Arrangement

In return for the marketing and promotion services provided, the Group and G-bits Group will pay the other party marketing and promotion fees using the following methods, depending on the means of cooperation, which are in line with market practice:

- Cost per action: charged based on the number of newly activated users when these users first visit the parties' games that are promoted on designated platforms of the other party;
- Cost per click: charged based on the price of each click and number of clicks of online users when these users click into the relevant in-game promotion pages or hyperlinks as set up by the other party;
- Cost per sale: charged based on the users' actual top-up amount when these users make top-up payments to their accounts during the promotion activities held by the other party;
- Fixed amount of marketing and promotion fee with reference to the prevailing market rates and based on arm's length negotiation between the parties upon taking into consideration the marketing and promotion services provided on the other's platforms in the designated regions within a certain period of time; or
- Other fee arrangements agreed by the parties, e.g. based on arm's length negotiation using a prescribed percentage on the net operating income (which are net of marketing and promotion expenses and other expenses, as the case may be), such prescribed percentage is in line with market practice.

The channel expense will be agreed by the parties separately.

## LETTER FROM THE BOARD

### Historical Amounts

The aggregate amounts of marketing and promotion services fees paid by the Group to G-bits Group and the marketing and promotion services fees paid by G-bits Group to the Group under the 2021 Game Cooperation Framework Agreement for the two years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 are as set out in the table below:

	<b>For the years ended</b>		<b>For the six</b>
	<b>December 31,</b>		<b>months ended</b>
	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
	<b>2023</b>		
	<i>(in thousand RMB)</i>		
Marketing and promotion services fees incurred by the Group payable to G-bits Group <i>(Expense-based)</i>	14,440	567	6,001
Marketing and promotion services fees incurred by G-bits Group payable to the Group <i>(Revenue-based)</i>	218	_(2)	_(2)

*Note:*

- (2) The Group did not record any marketing and promotion services fees payable by G-bits Group to the Group for the year ended December 31, 2022 and the six months ended June 30, 2023 because the Group did not provide any marketing and promotion services which render fees payable by G-bits Group to the Group under the 2021 Game Cooperation Framework Agreement.

### Proposed annual caps and their basis

The proposed annual caps for the marketing and promotion services fees payable by the Group to G-bits Group and the marketing and promotion services fees payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out in the table below:

	<b>For the years ending December 31,</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(in thousand RMB)</i>		
Marketing and promotion services fees payable by the Group to G-bits Group <i>(Expense-based)</i>	75,000	90,000	108,000
Marketing and promotion services fees payable by G-bits Group to the Group <i>(Revenue-based)</i>	4,500	6,000	7,000

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## LETTER FROM THE BOARD

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In determining the relevant proposed annual caps, the Directors took into account the historic amounts and the future business development between the Group and G-bits Group after arm's length discussions. In particular, 1) in determining the proposed annual caps in respect of the fees payable by the Group to G-bits Group, the Directors have considered the estimated significant increase in the transaction amounts generated from the marketing and promotion cooperation between the Group and G-bits Group in 2024 and subsequent years. In particular, the Group has taken into consideration the significant increase in marketing and promotion services fees paid by the Group to G-bits Group of approximately RMB66.8 million for the year ended December 31, 2020, due to the successful promotion of the game developed by the Group, namely *The Marvelous Snail* (最強蝸牛), which was launched in that year. The Group anticipates the demand of marketing and promotion services for the games to be launched will be comparable to that of *The Marvelous Snail* (最強蝸牛); and 2) in determining the proposed annual caps in respect of the fees payable by G-bits Group to the Group, the Directors have considered the necessary adjustments on the transaction amounts and expected launch time of games taking into account the current market conditions and the corresponding projects' development progress. As G-bits Group is one of the leading online gaming publishers in the PRC, the Group has published the Group's games under the G-bits' platforms and collaborated with G-bits Group to conduct marketing and promotion of the Group's games. That said, the Group has the commercial liberty to engage other third-party service providers to publish the Group's games and collaborate with other third-party service providers to conduct marketing and promoting of the Group's games to enhance the popularity and the commercial potential of the games. The Group anticipates the games to be launched will not only through G-bits platforms, but also through the platforms of other third-party service providers in order to maximize the Group's earnings from each game that the Group self-developed. Accordingly, the Board is of the view that there is no increasing reliance on G-bits Group and the aforesaid transaction would be in the interest of the Company and the Shareholders as a whole.

### **Pricing Policy**

The marketing and promotion services fees payable by the Group to G-bits Group and by G-bits Group to the Group will be determined after arm's length negotiations between the parties with reference to the prevailing market rates announced by the parties and/or fee range of similar cooperation in the industry taking into account of relevant commercial factors, including, but not limited to, the types of games involved, the form and nature of the marketing and promotion services and the promotion period.

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## LETTER FROM THE BOARD

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With reference to the historical fee arrangement in relation to the marketing and promotion cooperation with G-bits Group, the marketing and promotion services provided by G-bits Group to the Group are consistent with the methods referred to under the section headed “1.2 Marketing and Promotion Cooperation with G-bits – Fee Arrangement”, and the fees payable by the Group to G-bits Group take into account the accumulated marketing income and accumulated marketing cost subject to the scope of marketing and promotion services as agreed between the parties. Such fee arrangements adopted under the marketing and promotion service agreement between the Company and G-bits are consistent with industry practice and the same as that charged by independent third parties.

To ensure that the fees to be incurred (or to be received) by the Group represent the prevailing market rates and on normal commercial terms that are comparable to those with independent third parties and no less favorable to the Group, the Group will compare the service fee rates charged by the Group for or by other game developers, and where available, the Group will obtain fee quotes from other independent third party service provider and make reference to the relevant market data published by not less than three other companies listed on the Stock Exchange that operate in the same industry as the Group.

### **Reasons for and benefits of the transactions**

The Group has been engaging G-bits Group for their marketing and promotion services and the Group expects to continue on engaging G-bits Group for their marketing and promotion services. G-bits Group has a strong marketing platform in the PRC and offers comprehensive marketing and promotion services to mobile game companies. The Group believes that G-bits Group will be able to continuously enhance popularity and commercial potential of the Group’s games extensively and the Group will tap into the diverse pool of potential game players on G-bits Group’s platforms. In addition, the Group also expects to continue the cooperation with G-bits Group on the provision of the Group’s marketing and promotion services to G-bits Group. As the Group continues to develop more games and operate more gaming platforms, the Group believes through providing marketing and promotion services to third party game developers (including G-bits Group), it will create a new revenue stream for the Group and diversify the Group’s revenue base and improve its market position.

Each of the Directors (including the independent non-executive Directors) is of the view that the transactions payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement have been entered into on an arm’s length basis, on normal commercial terms, and in the usual and ordinary course of business of the Group and that the said transactions payable by G-bits Group to the Group contemplated under the 2023 Game Cooperation Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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Each of the Directors (including the independent non-executive Directors whose opinion is included in the letter of advice from the Independent Board Committee which forms part of this circular in respect of the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement after taking into account the advice from the Independent Financial Adviser) is of the view that the transactions payable by the Group to G-bits Group under the 2023 Game Cooperation Framework Agreement have been entered into on an arm's length basis, on normal commercial terms, and in the usual and ordinary course of business of the Group and that the said transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### INTERNAL CONTROL MEASURES

In order to ensure that the pricing under the transactions contemplated under the 2023 Game Cooperation Framework Agreement is fair and reasonable, the Company has the following internal review procedures:

- (1) The Company has a management system on connected transactions and the Board and the various internal departments of the Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) The Board and various internal departments of the Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- (3) The Company will, to the extent commercially practicable, seek to obtain quotations from independent third parties for similar premises/services and will compare the commercial terms offered by the independent third parties with those offered by G-bits Group;
- (4) The Board and various internal departments of the Company will regularly monitor on a quarterly basis the fulfillment status and the transaction updates under the relevant framework agreements. In addition, the management of the Company will also regularly review the pricing policies of the relevant framework agreements; and
- (5) The independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements on normal commercial terms and in accordance with the pricing policy.

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# LETTER FROM THE BOARD

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## INFORMATION ON THE PARTIES

### The Group

The Group develops, publishes and operates top-rated online mobile games. As of June 30, 2023, the Group had eight existing mobile games, covering idle games, Rogue-like RPG and other RPG.

### G-bits Group

G-bits is a software company listed on the Shanghai Stock Exchange under the stock code: 603444 and well known within the industry, which specializes in development and operation of online games.

## THE LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, G-bits, through its indirectly wholly-owned subsidiary, HK Kunpan, holds 18.55% of the total issued shares in the Company. Accordingly, G-bits is a substantial shareholder of the Company, and therefore G-bits and its subsidiaries are connected persons of the Company under Rules 14A.07(1) and 14A.13(1) of the Listing Rules. Therefore, the transactions contemplated under the 2023 Game Cooperation Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

### 2023 Game Cooperation Framework Agreement

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps payable by the Group to G-bits Group under the 2023 Game Cooperation Framework Agreement are more than 5%, the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps payable by G-bits Group to the Group under the 2023 Game Cooperation Framework Agreement are more than 0.1% but less than 5%, the transactions payable by G-bits Group to the Group contemplated under the 2023 Game Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements and exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the 2023 Game Cooperation Framework Agreement, and therefore, no Director is required to abstain from voting on approval of the relevant resolutions.

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## LETTER FROM THE BOARD

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### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder, after taking into account the recommendation of the Independent Financial Adviser.

In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement. The text of the letter from the Independent Board Committee is set out on page 16 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is out on pages 17 to 31 of this circular.

### **EGM AND PROXY ARRANGEMENT**

The EGM is to be held at the 5th Floor, 33 Wang Hai Road, Xiamen Software Park II, Xiamen, Fujian Province 361008, the PRC at 10:30 a.m. on Monday, December 18, 2023. The notice of the EGM is set out on pages N-1 to N-2 of this circular. Pursuant to Rule 13.39 of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

G-bits, through its indirectly wholly-owned subsidiary, HK Kunpan holds 128,243,058 Shares, representing an aggregate of approximately 18.55% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolution in relation to the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save as disclosed above, there is no other Shareholder who has any material interest in the transactions contemplated under the 2023 Game Cooperation Framework Agreement. As such, no other Shareholder is required to abstain from voting at the EGM on the resolutions in relation to the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qcplay.com](http://www.qcplay.com)). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:30 a.m. on December 16, 2023) or the adjourned meeting thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.



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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, December 13, 2023 to Monday, December 18, 2023, both dates inclusive, during which period no transfers of Shares will be effected. The record date will be Monday, December 18, 2023. In order to determine the identity of Shareholders who are entitled to attend and vote at the EGM, all Share transfers accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, December 12, 2023.

### RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from Altus Capital Limited) are of the view that the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement have been entered into on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group. The transactions are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favor of the ordinary resolutions approving the 2023 Game Cooperation Framework Agreement and the transactions (including the proposed annual caps) contemplated thereunder at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
By order of the Board  
**Qingci Games Inc.**  
**Liu Siming**  
*Executive Director*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**Qingci Games Inc.**  
**青瓷游戏有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 6633)**

November 24, 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
WITH G-BITS IN RELATION TO  
THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated November 24, 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the transactions payable by the Group to G-bits Group and the relevant proposed annual caps contemplated under the 2023 Game Cooperation Framework Agreement, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The Independent Board Committee considers that (i) the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are on normal commercial terms or better, and (ii) entering into the 2023 Game Cooperation Framework Agreement is in the ordinary and usual course of business of the Company.

Having considered the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement and the advice of the Independent Financial Adviser on the fairness and reasonableness of the terms of the continuing connected transactions contemplated under the 2023 Game Cooperation Framework Agreement, we are of the opinion that the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the EGM to approve the 2023 Game Cooperation Framework Agreement and the transactions (including the proposed annual caps) contemplated thereunder.

Yours faithfully,  
For and on behalf of the Independent Board Committee

**Professor Lam Sing Kwong Simon**  
*Independent non-executive  
Director*

**Mr. Yuan Yuan**  
*Independent non-executive  
Director*

**Ms. Fang Weijin**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement (together with the annual caps), which has been prepared for the purposes of incorporation in this circular.*

# ALTUS

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

November 24, 2023

*To the Independent Board Committee and the Independent Shareholders*

Qingci Games Inc.  
40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai, Hong Kong

Dear Sirs,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH G-BITS IN RELATION TO THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of and the proposed annual caps in relation to the continuing connected transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement. Details of which are set out in the "Letter from the Board" contained in the circular of the Company dated November 24, 2023 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As the term of each of the 2021 Game Cooperation Framework Agreement is due to expire on December 31, 2023, the Company had on October 17, 2023 (after trading hours), entered into the 2023 Game Cooperation Framework Agreement to continue the transactions contemplated thereunder.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## **Game cooperation with G-bits**

Pursuant to the 2023 Game Cooperation Framework Agreement, the Group agreed to continue to license games of G-bits Group for publishing and operating on the Company's platforms in designated regions on an exclusive basis (expense-based) for a term of three financial years ending December 31, 2026. The Group shall pay fees to the G-bits Group and the precise scope of cooperation, the calculation of fees and other details of the cooperation shall be agreed between the relevant parties separately.

## **Marketing and promotion cooperation with G-bits**

Pursuant to the 2023 Game Cooperation Framework Agreement, G-bits Group shall provide marketing and promotion services, including but not limited to marketing, promotion and advertising to the Group for the Group's games on platforms operated by G-bits Group for a term of three financial years ending December 31, 2026. In return for the marketing and promotion services provided, the Group will pay the G-bits Group marketing and promotion fees based on a few possible methods (further discussed below), depending on the means of cooperation.

## **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, G-bits, through its indirectly wholly-owned subsidiary, HK Kunpan, holds 18.55% of the total issued shares in the Company. Accordingly, G-bits is a substantial shareholder of the Company, and therefore G-bits and its subsidiaries are connected persons of the Company under Rules 14A.07(1) and 14A.13(1) of the Listing Rules. Therefore, the transactions contemplated under the 2023 Game Cooperation Framework Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of the proposed annual caps payable by the Group to G-bits Group under the 2023 Game Cooperation Framework Agreement are more than 5%, the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Professor Lam Sing Kwong Simon, Mr. Yuan Yuan and Ms. Fang Weijin, has been established to advise the Independent Shareholders on (i) whether the terms of the transactions payable by the Group to G-bits Group under 2023 Game Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the 2023 Game Cooperation Framework Agreement (including the proposed annual caps contemplated thereunder) and the transactions contemplated thereunder at the EGM, taking into account the recommendation of the Independent Financial Adviser.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the transactions payable by the Group to G-bits Group under 2023 Game Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the 2023 Game Cooperation Framework Agreement (including the proposed annual caps contemplated thereunder) and the transactions contemplated thereunder at the EGM.

We have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the continuing connected transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

## BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the 2023 Game Cooperation Framework Agreement; (ii) the annual report of the Group for the year ended 31 December 2022 (the “**2022 Annual Report**”); (iii) the interim report of the Group for the six months ended 30 June 2023 (the “**2023 Interim Report**”); and (iv) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## PRINCIPAL FACTORS AND REASONS CONSIDERED

### 1. Background information

#### 1.1 Principal business of the Group

The Group develops, publishes and operates top-rated online mobile games. As of December 31, 2022, the Group had six existing mobile games, covering idle games, Rogue-like RPG and other RPG.

#### 1.2 Financial performance of the Group

Set out below is a summary of the consolidated financial information of the Group as extracted from the 2022 Annual Report and 2023 Interim Report.

	For the year ended		For the six months ended	
	31 December		30 June	
	2022	2021	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>	630,367	1,105,816	333,937	268,114
Game operating revenues				
– Self-developed	557,559	790,938	237,930	225,214
– Licensed	34,380	259,785	80,433	23,069
Game licensing revenue	27,361	35,789	11,317	14,992
Information service revenue	9,625	19,304	2,528	4,839
Other revenue	1,442	–	1,729	–
<b>Gross profit</b>	422,087	812,599	225,413	166,012
Selling and marketing expenses	(209,302)	(304,236)	(123,052)	(151,748)
<b>Operating profit/(loss)</b>	86,588	337,150	51,848	(62,538)

*Year ended 31 December 2021 (“FY2021”) compared with year ended 31 December 2022 (“FY2022”)*

The Group’s revenue is mainly derived from (i) game operating business where it generates revenues primarily from the sales of in-game virtual items; (ii) game licensing business where it generates revenues from license fees paid by third-party publishers; and (iii) information services business where it generates revenues from providing performance-based in-game marketing and promotion services to advertisers or their agents who promote their customers’ products in the Group’s games to players.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's revenue decreased by 43.0% from approximately RMB1,105.8 million for FY2021 to RMB630.4 million for FY2022. Such decrease was primarily due to the decrease in the Group's game operating revenues, which decreased by 43.7% to approximately RMB591.9 million for FY2022 from approximately RMB1,050.7 million in FY2021. In particular, revenue from the Group's self-developed games decreased by 29.5% to approximately RMB557.6 million for FY2022 from RMB790.9 million in FY2021, primarily due to the decrease in revenue from *The Marvelous Snail* (最強蝸牛) in Mainland China as it entered into the maturity stage, partially offset by the increase in revenue from the launch of *The Marvelous Snail* (最強蝸牛) in Japan. Furthermore, revenue from licensed games decreased by 86.8% to approximately RMB34.4 million for FY2022 from RMB259.8 million in FY2021, primarily due to the decrease in revenue from *Lantern and Dungeon* (提燈與地下城) as it entered into the maturity stage.

One of the Group's major operational costs is its selling and marketing expenses. Selling and marketing expenses consisted of (i) marketing and promotion expenses paid to the Group's online and offline marketing service providers, including traffic acquisition and brand marketing and promotion expenses, which represented 90.0% and 70.4% of the Group's total selling and marketing expenses for FY2022 and FY2021, respectively; (ii) employee benefits expenses related to the Group's sales and marketing personnel; and (iii) others, including office expenses incurred for the Group's sales and marketing activities and miscellaneous expenses. Selling and marketing expenses decreased by 31.2% from approximately RMB304.2 million for FY2021 to approximately RMB209.3 million for FY 2022, which was primarily due to the decrease in marketing and promotion expenses as *The Marvelous Snail* (最強蝸牛) in Mainland China and the *Lantern and Dungeon* (提燈與地下城) reached the mature stage of their lifecycles, despite the partial set-off by the increase in marketing and promotion expenses for the launch of *The Marvelous Snail* (最強蝸牛) in Japan.

The Group's decrease in operating profit from approximately RMB337.1 million in FY2021 to RMB86.6 million in FY2022 was primarily due to the above mentioned changes.

*Six months ended 30 June 2022 ("1H2022") compared with six months ended 30 June 2023 ("1H2023")*

The Group's overall revenue increased from approximately RMB268.1 million in 1H2022 to RMB333.9 million in 1H2023 primarily due to the Group's revenue from game operating licensed games increased by 248.7% to RMB80.4 million for 1H2023 from 1H2022. Such increase was due to the increase in revenue from the newly launched game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) during the 1H2023, partially offset by the decrease in revenue from *Lantern and Dungeon* (提燈與地下城).

The Group's selling and marketing expenses decreased by 18.9% from RMB151.7 million for 1H2022 to RMB123.1 million for 1H2023. This was primarily due to (i) the decrease in marketing and promotion expenses of *The Marvelous Snail* (最強蝸牛) in Japan, despite the partial set-off by the increase in marketing and promotion expenses for the newly launched games, *Servitor Project* (使魔計劃) and *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情); and (ii) the decrease in the employee benefits expenses related to the Group's sales and marketing personnel.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As a result of the aforementioned increase in revenue and decrease in selling and marketing expenses, the Group recorded operating profit amounting to approximately RMB51.8 million in 1H2023 as compared to an operating loss of RMB62.5 million in 1H2022.

### ***1.3 Outlook of the Group***

Looking forward, the Group will continue to enrich its pipeline games, including deploying existing games to explore overseas markets, continuing to create new prime games with original intellectual properties (“IPs”) and licensing in quality games.

The Group will continue to search for quality game projects to build a diversified game portfolio, and will continue to expand its intellectual property matrix and grow the Group’s Qingci Universe by developing original and iconic IPs for games, complemented by peripheral products and pan-entertainment content (such as comics, videos and other merchandise) to achieve synergies between multiple IPs in the Qingci Universe (such as embedding game elements from existing IPs into new games to connect it IPs) and bring an enjoyable gaming experience to its players around the world.

### ***1.4 Principal business of G-bits Group***

G-bits is a software company listed on the Shanghai Stock Exchange under the stock code: 603444 and is well known within the industry, which specializes in development and operation of online games.

## **2. Reasons for and benefits of entering into the 2023 Game Cooperation Framework Agreement**

### ***2.1 Game cooperation with G-bits***

As mentioned above, G-bits is renowned in the industry and it develops, publishes and operates a large number of online games in the PRC. It is expected that the Group could leverage G-bits’ competitive advantages in products and players’ pool to improve popularity of games owned by it, increase the number of platform users and leverage G-bits’ game publishing and operating capabilities.

As mentioned under the paragraph headed “1.2 Financial performance of the Group” above, the Group derives its income from in-licensed games. The Group would obtain licenses from third-party game developers to publish and operate games owned by them. Therefore, it is in the ordinary course of business of the Group to cooperate with G-bits whereby the Group would license games of G-bits Group for publishing and operating on the Company’s platforms. Such cooperation could also enhance the number of platform users and hence, is in the interests of the Company and Shareholders as a whole.



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## ***2.2 Marketing and promotion cooperation with G-bits***

The Group has been engaging G-bits Group for their marketing and promotion services and the Group expects to continue on engaging G-bits Group for their marketing and promotion services. With G-bits Group's strong marketing platform in the PRC and offerings of comprehensive marketing and promotion services to mobile game companies, it is believed that G-bits Group will be able to continuously enhance popularity and commercial potential of the Group's games extensively.

As mentioned under the paragraph headed "1.2 Financial performance of the Group" above, one of the Group's major operating costs is selling and marketing expenses where it amounted to approximately 33.2% and 27.5% of the Group's revenue for FY2022 and FY2021 respectively. Such fees are paid to service providers in relation to brand marketing and promotion. Therefore, the proposed continuation of engaging G-bits Group for marketing and promotions services is in the ordinary and usual course of business of the Group. Furthermore, through such cooperation, the Group will be able to tap into the diverse pool of potential game players on G-bits Group's platforms, which is in the interests of the Company and Shareholders as a whole.

## **3. Principal terms of the 2023 Game Cooperation Framework Agreement**

Set out below our assessment on the principal terms of the 2023 Game Cooperation Framework Agreement. For other terms of the 2023 Game Cooperation Framework Agreement, please refer to the "Letter from the Board" in the Circular.

### ***3.1 Game cooperation with G-bits***

#### ***3.1.1 Fee arrangement***

The fees payable by the Group to G-bits Group for publishing and operating of the G-bits Group's games on the Company's platform shall be calculated on, amongst others, (i) fixed distribution fees and/or license fees based on arm's length negotiation between the parties upon taking into consideration the exclusive publication and operation on the other's platforms in the designated regions within a certain period of time; (ii) revenue/profit sharing between the parties based on arm's length negotiation using a prescribed percentage on the gross billings (which are net of commissions to payment and distribution channels, marketing and promotion expenses and other expenses, as the case may be); (iii) prepaid revenue/profit sharing between the parties based on arm's length negotiation between the parties as an assurance of revenue/profit sharing payment, such assurance will be set off by the amount payable under the revenue/profit sharing basis set out above; (iv) game performance bonus as agreed between the parties being a discretionary incentive fee payable to the Group or G-bits Group (as the case may be) in the event that the game's gross billings exceed a certain amount; and/or (v) use of certain intellectual property rights by the Group or G-bits Group for game cooperation promotion as agreed between the parties after arm's length negotiation with reference to the prevailing fee structure and pricing terms of relevant intellectual properties in the market, which are comparable to those the Group has with other independent third parties on licensing of games for exclusive publication and operation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing whether the above mentioned fee arrangements are normal commercial terms, we have conducted a desktop research on 15 companies listed on the Stock Exchange that operate in the same industry as the Group (“**Comparables**”). We noted for 14 out of the 15 Comparables, the fee arrangements in terms of game cooperation between the Comparables and other parties are also based on one or more of these above mentioned parameters. In particular, all of these 14 Comparables have adopted profit sharing fee arrangement, where the profit sharing percentages range from 14% to 80%. As such, we are of the view that the Group's game cooperation with G-bits is on normal commercial terms.

### *3.1.2 Pricing policy*

The fixed distribution fees and/or license fees, and revenue/profit sharing, prepaid revenue/profit sharing, game performance bonus and use of certain intellectual property rights as payable by the Group to G-bits Group shall be determined after arm's length negotiations between the parties with reference to the prevailing market price and/or fee range of similar cooperation in the industry and consideration of various commercial factors. To ensure that the fees to be paid by the Group represent the prevailing market price and on normal commercial terms that are comparable to those with independent third-party and no less favorable to the Group, the Group will assess the potential user traffic and gross billings that are expected to arise from the platforms operated by G-bits Group, obtain fee quotes, if any, from other independent third parties on licensing of games for exclusive publication and operation and make reference to the relevant market data published by not less than three other companies listed on the Stock Exchange that operate in the same industry as the Group as well as the prevailing fee structure and pricing terms of comparable intellectual property in the market, where available.

In assessing the fairness and reasonableness of the existing game cooperation with G-bits, we have reviewed the terms of the current agreement between the Group and G-bits Group in relation to an in-licensed game from G-bits (i.e. *Master Cat (超喵星計劃)*) which is anticipated to be launched in 2024 based on the Company's current plan. We have also reviewed a game cooperation agreement between the Group and an independent third party in relation to the licensing of such independent third party's game. We noted that the terms of the license fees as well as the payment terms are similar and that the Group's terms of cooperation with G-bits Group are no less favourable than those with the independent third party. As such we are of the view that the Group's terms of the game cooperation with G-bits in relation to the transactions payable by the Group to G-bits Group as contemplated under the 2023 Game Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable.

## **3.2 Marketing and promotion cooperation with G-bits**

### *3.2.1 Fee arrangement*

In return for the marketing and promotion services provided by G-bits Group to the Group, the Group will pay the other party marketing and promotion fees using the following methods, depending on the means of cooperation:

- (i) Cost per action: charged based on the number of newly activated users when these users first visit the parties' games that are promoted on designated platforms of the other party;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) Cost per click: charged based on the price of each click and number of clicks of online users when these users click into the relevant in-game promotion pages or hyperlinks as set up by the other party;
- (iii) Cost per sale: charged based on the users' actual top-up amount when these users make top-up payments to their accounts during the promotion activities held by the other party;
- (iv) Fixed amount of marketing and promotion fee with reference to the prevailing market rates and based on arm's length negotiation between the parties upon taking into consideration the marketing and promotion services provided on the other's platforms in the designated regions within a certain period of time; or
- (v) Other fee arrangements agreed by the parties, e.g. based on arm's length negotiation using a prescribed percentage on the net operating income (which are net of marketing and promotion expenses and other expenses, as the case may be).

The channel expense will be agreed by the parties separately.

In assessing whether the above mentioned fee arrangements are normal commercial terms, we have conducted a desktop research on the Comparables. We noted that the fee arrangements in terms of the marketing and promotion expenses of the Comparables are also based on one or more of these above mentioned parameters. As such, we are of the view that the Group's marketing and promotion cooperation with G-bits, is on normal commercial terms.

### *3.2.2 Pricing Policy*

The marketing and promotion services fees payable by the Group to G-bits Group will be determined after arm's length negotiations between the parties with reference to the prevailing market rates announced by the parties and/or fee range of similar cooperation in the industry taking into account of relevant commercial factors, including, but not limited to, the types of games involved, the form and nature of the marketing and promotion services and the promotion period.

With reference to the historical fee arrangement in relation to the marketing and promotion cooperation G-bits Group, the marketing and promotion services provided by G-bits Group to the Group are consistent with the methods referred to under the paragraph headed "3.2.1 Fee arrangement" above, and the fees payable by the Group to G-bits Group take into account the accumulated marketing income and accumulated marketing cost subject to the scope of marketing and promotion services as agreed between the parties. Such fee arrangements adopted under the marketing and promotion service agreement between the Company and G-bits are consistent with industry practice and are within a reasonable range compared to those charged by independent third parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To ensure that the fees to be incurred by the Group represents the prevailing market rates and on normal commercial terms that are comparable to those with independent third parties and no less favorable to the Group, the Group will compare the service fee rates charged by the Group for other game developers, and where available, the Group will obtain fee quotes from other independent third party service providers and make reference to the relevant market data published by not less than three other companies listed on the Stock Exchange that operate in the same industry as the Group.

In assessing the fairness and reasonableness of the existing marketing and promotion cooperation with G-bits, we have reviewed the terms of two agreements between the Group and G-bits Group in relation to the provision of marketing and promotion services provided by the G-bits Group with regard to two games. We have also reviewed two marketing and promotion agreements between the Group and two independent third parties in relation to the same two games. We noted that for each of the games, the terms of the marketing and promotion fees as well as the payment terms between the Group and the respective independent third party, are the same and that the Group's terms of cooperation with G-bits Group are no less favourable than those with the independent third parties. For each of the two games, the calculation bases of the marketing and promotion fee payable by the Group to G-bits Group or the independent third party are the same. As such we are of the view that the Group's terms of the marketing and promotion cooperation with G-bits in relation to the transactions payable by the Group to G-bits Group as contemplated under the 2023 Game Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable.

Furthermore, with regard to the transacted amounts during the years ended 31 December 2021 and 2022 and the seven months ended 31 July 2023, we have randomly selected nine sample transactions and noted that the fees paid to the G-bits Group were determined based on the terms as stipulated in the agreements entered into between the Group and the G-bits Group. Therefore, we are of the view that the transactions payable by the Group to the G-bits Groups are conducted on fair and reasonable terms.

#### 4. Historical transaction amounts and Proposed Annual Caps

##### 4.1 Game cooperation with G-bits

###### 4.1.1 Historical amounts

The aggregate amounts of fees paid by the Group to G-bits Group under the 2021 Game Cooperation Framework Agreement for the two years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 are as follows:

	<b>For the year ended 31 December 2021 (RMB'000)</b>	<b>For the year ended 31 December 2022 (RMB'000)</b>	<b>For the six months ended June 30, 2023 (RMB'000)</b>
Fees incurred by the Group payable to G-bits Group	–	–	–

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group did not incur any fees payable to G-bits Group under the 2021 Game Cooperation Framework Agreement for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 as the Group have been preparing for the launching of the games the Group has licensed from G-bits Group during the relevant years/period.

### 4.1.2 Proposed annual caps

	<b>For the year ending December 31, 2024 (RMB'000)</b>	<b>For the year ended December 31, 2025 (RMB'000)</b>	<b>For the year ended December 31, 2026 (RMB'000)</b>
Fees incurred by the Group payable to G-bits Group	6,000	22,000	15,000

In determining the relevant proposed annual caps, the Directors took into account the historic amounts and the future business development between the Group and G-bits Group after arm's length discussions. In particular, in determining the proposed annual caps in respect of the fees payable by the Group to G-bits Group, the Directors have considered the game *Master Cat* (超喵星計劃) is expected to have a surge in revenue upon its expected launch in 2024 and reach the maturity stage with steady revenue in 2026 having taken into account the current market conditions and the projected performance of such game project.

In assessing the fairness and reasonableness of the Group's bases of assumptions on determining the proposed annual caps, we have obtained and reviewed the game cooperation agreement in relation to the game, *Master Cat* (超喵星計劃), between the Group and G-bits Group and noted that the license fee arrangement is set out in the agreement. We have also discussed with Management and reviewed the 2023 Interim Report and noted that such game is anticipated to be launched in 2024.

In addition, we have also obtained and reviewed the calculation of the proposed annual caps and noted that the Company has taken into consideration of the estimated number of monthly active user and average revenue per user as well as operating expenses of *Master Cat* (超喵星計劃), which were referenced to the data of other games. We understand from the Management that the estimated drop in the proposed annual cap for the year ending December 31, 2026 is mainly due to the Management's experience on the lifecycle of a game; it expects that *Master Cat* (超喵星計劃) will enter into the maturity stage in 2026, shall it be launched in 2024.

Based on the above, we are of the view that the proposed annual caps for the fees payable by the Group to G-bits Group in relation to the game cooperation with G-bits as contemplated under the 2023 Game Cooperation Framework Agreement are determined fairly and reasonably.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.2 Marketing and promotion cooperation with G-bits

#### 4.2.1 Historical amounts

The aggregate amounts of marketing and promotion services fees paid by the Group to G-bits Group under the 2021 Game Cooperation Framework Agreement for the two years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 are as follows:

	<b>For the year ended 31 December 2021 (RMB'000)</b>	<b>For the year ended 31 December 2022 (RMB'000)</b>	<b>For the six months ended June 30, 2023 (RMB'000)</b>
Marketing and promotion services fees incurred by the Group payable to G-bits Group	14,440	567	6,001

We have discussed with the Management and obtained the breakdown of the transacted amounts and noted that the transaction amounts during the year ended December 31, 2021 and 2022 were primarily incurred in relation to the game, *The Marvelous Snail* (最強蝸牛), which was launched in 2020. As *The Marvelous Snail* is reaching its maturity stage, the respective marketing and promotion expenses have decreased accordingly. During the six months ended 30 June 2023, a new game, *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), was launched and respectively marketing and promotion expenses was incurred.

#### 4.2.2 Proposed annual caps

	<b>For the year ending December 31, 2024 (RMB'000)</b>	<b>For the year ended December 31, 2025 (RMB'000)</b>	<b>For the year ended December 31, 2026 (RMB'000)</b>
Marketing and promotion services fees incurred by the Group payable to G-bits Group	75,000	90,000	108,000

In determining the relevant proposed annual caps, the Directors took into account the historic amounts and the future business development between the Group and G-bits Group after arm's length discussions. In particular, in determining the proposed annual caps in respect of the fees payable by the Group to G-bits Group, the Directors have considered the estimated significant increase in the transaction amounts generated from marketing and promotion cooperation due to the launch of cooperative games between the Group and G-bits Group in 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the proposed annual caps which are largely dependent on the Group's pipeline of games, we have discussed with the Management and reviewed the 2023 Interim Report and noted that the Group plans to launch six games in 2024 and three games in 2025. We understand from the Management that based on their experience, the most significant marketing and promotion cooperative fees would be incurred approximately during the first two years subsequent to the game being launched. With reference to the historical transaction amounts, it is noted that the Group had paid marketing and promotion fees to G-bits Group amounting to approximately RMB66.8 million in 2020 and RMB14.4 million in 2021 as the game, *The Marvelous Snail* (最強蝸牛) was launched in June 2020.

In addition, the Management expects such fees to be paid to G-bits Group would increase at a rate of 20% due to the estimated growth in the Group's game operating revenue as well as the increasing pipeline of games.

As such, taking into consideration (i) the aforementioned historical transaction amount of approximately RMB66.8 million and RMB14.4 million in 2020 and 2021 respectively relate to only one single game that was launched in mid-2020; (ii) the pipeline of games to be launched in the foreseeable future, being the proposed launching of six games in 2024 and three games in 2025; (iii) the transaction amount to be incurred is largely dependent on the timing of launches of the games, of which the required marketing and promotion expenses may roll-over to the financial year subsequent to the year of launch; (iv) the most significant amount of marketing and promotion fees are expected to be incurred during the first two years subsequent to a game being launched; and (v) the proposed annual caps would provide the Group the flexibility but not the obligation to engage G-bits Group for the provision of marketing and promotion services, we are of the view that the proposed annual caps in relation to the marketing and promotion cooperation with G-bits as contemplated under the 2023 Game Cooperation Framework Agreement are determined fairly and reasonably. In particular, with regard to the Management's estimated annual cap rate of increase of 20% per year, given the significant pipeline of games to be launched in 2024 and 2025 as well as the historical fees paid to G-bits Group in relation to one single game in 2020 and 2021, we are of the view that the Management's expectation of an annual growth of 20% to be fair and reasonable.

### 5. Internal control measures

In order to ensure that the pricing under the transactions contemplated under the 2023 Game Cooperation Framework Agreement is fair and reasonable, the Company has the following internal review procedures:

- (1) The Company has a management system on connected transactions and the Board and the various internal departments of the Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) The Board and various internal departments of the Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (3) The Company will, to the extent commercially practicable, seek to obtain quotations from independent third parties for similar premises/services and will compare the commercial terms offered by the independent third parties with those offered by G-bits Group;
- (4) The Board and various internal departments of the Company will regularly monitor on a quarterly basis the fulfillment status and the transaction updates under the relevant framework agreements. In addition, the management of the Company will also regularly review the pricing policies of the relevant framework agreements; and
- (5) The independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements on normal commercial terms and in accordance with the pricing policy.

We concur with the Directors' view that the internal control measures above can allow the Company to effectively monitor the transaction amounts under the 2023 Game Cooperation Framework Agreement and to ensure that the terms of the transactions under the 2023 Game Cooperation Framework Agreement are fair and reasonable.

### RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the view that (i) the terms of the transactions payable by the Group to the G-bits Group under the 2023 Game Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable; (ii) the transactions payable by the Group to G-bits Group contemplated under the 2023 Game Cooperation Framework Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the renewal of continuing connected transactions payable by the Group to the G-bits Group under the 2023 Game Cooperation Framework Agreement (including the respective proposed annual caps) at the EGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Responsible Officer*

**Leo Tam**  
*Responsible Officer*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over nine years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (A) Interests and Short Positions of the Directors' and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules are as follows:

#### (i) Long Position in the Shares

Name of Director	Title	Nature of Interest	Number of Shares or underlying Shares (long position)	Approximate percentage of shareholding in the total issued share capital of the Company <sup>(1)</sup>
Mr. Yang Xu (“ <b>Mr. Yang</b> ”) <sup>(2)</sup>	Executive Director	Settlor of a discretionary trust	206,057,019	29.81%

Name of Director	Title	Nature of Interest	Number of Shares or underlying Shares (long position)	Approximate percentage of shareholding in the total issued share capital of the Company <sup>(1)</sup>
Mr. Huang Zhiqiang ("Mr. Huang") <sup>(3)</sup>	Executive Director	Settlor of a discretionary trust	25,015,715	3.62%
		Interest in controlled corporation	37,307,058	5.40%
Mr. Liu Siming ("Mr. Liu") <sup>(4)</sup>	Executive Director	Settlor of a discretionary trust	12,842,792	1.86%
Mr. Zeng Xiangshuo ("Mr. Zeng") <sup>(5)</sup>	Executive Director	Interest in controlled corporation	7,439,214	1.08%

*Notes:*

- (1) The calculation is based on the total number of issued shares of the Company as at the Latest Practicable Date, being 691,330,500 Shares.
- (2) The Company is held as to 29.81% by Keiskei Holding Ltd., following the completion of the global offering of the Company under the prospectus issued by the Company on December 6, 2021 (the "Global Offering") and the partial exercise of the over-allotment option on January 7, 2022 (the "Over-allotment Option"). Keiskei Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Yang Family Holding Limited and 1% by Keiskei QC Ltd., a company wholly-owned by Mr. Yang. Yang Family Holding Limited is held by the Peter Yang Family Trust, which was established by Mr. Yang as the settlor. TMF (Cayman) Ltd. is the trustee of the Peter Yang Family Trust, and Mr. Yang and his family members are the beneficiaries of the Peter Yang Family Trust. As such, Mr. Yang is deemed to be interested in our Shares held by Keiskei Holding Ltd. Mr. Yang is also a director of Keiskei Holding Ltd.
- (3) The Company is held as to 3.62% and 5.40% by Intelligence QC Holding Ltd. and Intelligence QC Ltd., respectively, following the completion of the Global Offering and the partial exercise of the Over-allotment Option. Intelligence QC Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Intelligence Future Holding Limited and 1% by Intelligence QC Ltd., a company wholly-owned by Mr. Huang. Intelligence Future Holding Limited is held by Intelligence Future Trust, which was established by Mr. Huang as the settlor. TMF (Cayman) Ltd. is the trustee of Intelligence Future Trust, and Mr. Huang and his family member are the beneficiaries of the Intelligence Future Trust. As such, Mr. Huang is deemed to be interested in our Shares held by Intelligence QC Holding Ltd. and Intelligence QC Ltd. Mr. Huang is also a director of Intelligence QC Holding Ltd.

- (4) The Company is held as to 1.86% by Gentle Tiger Holding Ltd., following the completion of the Global Offering and the partial exercise of the Over-allotment Option. Gentle Tiger Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Sebastian Family Holding Limited and 1% by Gentle Tiger Ltd., a company wholly-owned by Mr. Liu. Sebastian Family Holding Limited is held by the Sebastian Family Trust, which was established by Mr. Liu as the settlor. TMF (Cayman) Ltd. is the trustee of the Sebastian Family Trust, and Mr. Liu and his family members are the beneficiaries of the Sebastian Family Trust. As such, Mr. Liu is deemed to be interested in our Shares held by Gentle Tiger Holding Ltd. Mr. Liu is also a director of Gentle Tiger Holding Ltd.
- (5) Cloud Rings Ltd. is a company incorporated in the BVI which owns 7,439,214 Shares of the Company and is wholly-owned by Mr. Zeng. As such, Mr. Zeng is deemed to be interested in the 7,439,214 Shares held by Cloud Rings Ltd.

Save as disclosed above, so far as the Directors and the chief executive of the Company are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified under Division 7 and 8 of Part XV of the SFO or recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

**(B) Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares**

As at the Latest Practicable Date, the interests of relevant persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

<b>Name of Substantial Shareholders</b>	<b>Nature of Interest</b>	<b>Number of Shares or underlying Shares interested</b>	<b>Approximate percentage of shareholding in the total issued share of the Company<sup>(1)</sup></b>
Keiskei Holding Ltd. <sup>(2)</sup>	Beneficial owner (L)	206,057,019	29.81%
Yang Family Holding Limited <sup>(2)</sup>	Interest in controlled corporation (L)	206,057,019	29.81%
Mr. Yang <sup>(2)</sup>	Settlor of a discretionary trust (L)	206,057,019	29.81%
HK Kunpan <sup>(3)</sup>	Beneficial owner (L)	128,243,058	18.55%
G-bits <sup>(3)</sup>	Interest in controlled corporation (L)	128,243,058	18.55%

Name of Substantial Shareholders	Nature of Interest	Number of Shares or underlying Shares interested	Approximate percentage of shareholding in the total issued share of the Company <sup>(1)</sup>
Intelligence QC Ltd. <sup>(4)</sup>	Beneficial owner (L)	37,307,058	5.40%
Mr. Huang <sup>(4)</sup>	Settlor of a discretionary trust (L)	25,015,715	3.62%
	Interest in controlled corporation (L)	37,307,058	5.40%
Rapid Yacht Limited <sup>(5)</sup>	Beneficial interest (L)	51,338,076	7.43%
Mr. Ye Jiting (“Mr. Ye”) <sup>(5)</sup>	Interest in controlled corporation (L)	51,338,076	7.43%
TMF (Cayman) Ltd. <sup>(6)</sup>	Trustee (L)	243,915,526	35.28%
Qookka Entertainment Limited (formerly known as Ejoy.com Limited) (“Alibaba Qookka”) <sup>(7)</sup>	Beneficial interest (L)	36,884,938	5.34%
Alibaba Group Holding Limited (“Alibaba”) <sup>(8)</sup>	Interest in controlled corporation (L)	36,884,938	5.34%

*Notes:*

- (1) The calculation is based on the total number of issued shares of the Company as at the Latest Practicable Date, being 691,330,500 Shares. (L) - Long Position
- (2) The Company is held as to 29.81% by Keiskei Holding Ltd., following the completion of the Global Offering and the partial exercise of the Over-allotment Option. Keiskei Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Yang Family Holding Limited and 1% by Keiskei QC Ltd., a company wholly-owned by Mr. Yang. Yang Family Holding Limited is held by the Peter Yang Family Trust, which was established by Mr. Yang as the settlor. TMF (Cayman) Ltd. is the trustee of the Peter Yang Family Trust, and Mr. Yang and his family members are the beneficiaries of the Peter Yang Family Trust. As such, Mr. Yang is deemed to be interested in our Shares held by Keiskei Holding Ltd. Mr. Yang is also a director of Keiskei Holding Ltd.
- (3) HK Kunpan is a direct wholly-owned subsidiary of G-bits.

- (4) The Company is held as to 3.62% and 5.40% by Intelligence QC Holding Ltd. and Intelligence QC Ltd., respectively, following the completion of the Global Offering and the partial exercise of the Over-allotment Option. Intelligence QC Holding Ltd. is a company incorporated in the BVI and is held as to 99% by Intelligence Future Holding Limited and 1% by Intelligence QC Ltd., a company wholly-owned by Mr. Huang. Intelligence Future Holding Limited is held by Intelligence Future Trust, which was established by Mr. Huang as the settlor. TMF (Cayman) Ltd. is the trustee of Intelligence Future Trust, and Mr. Huang and his family member are the beneficiaries of the Intelligence Future Trust. As such, Mr. Huang is deemed to be interested in our Shares held by Intelligence QC Holding Ltd. and Intelligence QC Ltd. Mr. Huang is also a director of Intelligence QC Holding Ltd.
- (5) The Company is held as to approximately 7.43% by Rapid Yacht Limited and Rapid Yacht Limited is wholly owned by Mr. Ye. As such, Mr. Ye is deemed to be interested in our Shares held by Rapid Yacht Limited.
- (6) TMF (Cayman) Ltd. is the trustee of Intelligence Future Trust, Peter Yang Family Trust and Sebastian Family Trust which in aggregate held 243,915,526 Shares. Hence, TMF (Cayman) Ltd. is deemed to be interested in such 243,915,526 Shares as a trustee.
- (7) Alibaba Qookka is ultimately owned by Alibaba.
- (8) Alibaba is a company incorporated in the Cayman Islands, the ordinary shares of which are listed on the Main Board of the Stock Exchange with the stock code: 9988 and its American Depositary Shares (each representing eight ordinary shares) are listed for trading on the New York Stock Exchange under the symbol "BABA".

Saved as disclosed above, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of any substantial shareholders of the Company.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, the Directors are not aware of any business or interest of the Directors nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling Shareholder).

**5. INTERESTS IN CONTRACT OR ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

**6. LITIGATION**

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus Capital Limited did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital Limited did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Altus Capital Limited has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its letter and reference to its name and opinion in the form and context in which they appear in this circular.

**9. CORPORATE INFORMATION OF THE COMPANY**

<b>Registered office in Cayman Islands</b>	PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
<b>Principal place of business and head office in the PRC</b>	5th Floor, 4 Wang Hai Road Xiamen Software Park II Xiamen, Fujian Province 361008, the PRC
<b>Principal place of business in Hong Kong</b>	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai, Hong Kong
<b>Hong Kong branch share registrar and transfer office</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
<b>Joint company secretaries</b>	Mr. Zhu Chengyin Ms. Yung Mei Yee

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qcplay.com](http://www.qcplay.com)) during the period of 14 days from the date of this circular:

- (a) the 2023 Game Cooperation Framework Agreement dated October 17, 2023;
- (b) the letter from the Independent Board Committee, the text of which is set out in the circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in the circular; and
- (d) the written consent from the Independent Financial Adviser referred to in the paragraph headed "8. Expert and Consent" in this Appendix.



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## NOTICE OF EGM

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**Qingci Games Inc.**  
**青瓷游戏有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 6633)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Qingci Games Inc. (the “Company”) will be held at 5th Floor, 33 Wang Hai Road, Xiamen Software Park II, Xiamen, Fujian Province 361008, the PRC on Monday, December 18, 2023 at 10:30 a.m. to consider and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution of the Company:

### ORDINARY RESOLUTION

**“THAT:**

- (a) the game cooperation framework agreement dated October 17, 2023 (the “**2023 Game Cooperation Framework Agreement**”) (copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose) entered into by the Company and the G-bits Network Technology (Xiamen) Co., Ltd. (廈門吉比特網絡技術股份有限公司) and the transactions and proposed annual caps contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorized to, on behalf of the Company, do all such acts and sign, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the transactions contemplated under the 2023 Game Cooperation Framework Agreement and the proposed annual caps contemplated thereunder (including any amendment, supplement and/or any waiver of any terms thereunder), as such Director may in his/her absolute discretion deem fit.”

By order of the Board  
**Qingci Games Inc.**  
**Liu Siming**  
*Executive Director*

Hong Kong, November 24, 2023

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## NOTICE OF EGM

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*Notes:*

1. All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qcplay.com](http://www.qcplay.com)) in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment should specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:30 a.m. on December 16, 2023). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish, in which case the form of proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Wednesday, December 13, 2023 to Monday, December 18, 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, December 12, 2023.
5. References to time and dates in this notice are to Hong Kong time and dates.